



State of Rhode Island
Division of Public
Utilities & Carriers

Accounting Section
89 Jefferson Blvd.
Warwick, R.I. 02888
(401) 941-4500

**To: L. Massaro
Commission Clerk**

**From: Alberico Mancini
Division of Public Utilities & Carriers**

Date: February, 19 2019

Re: Narragansett Electric – Standard Offer Rate Filing: Docket 4809

On January 18, 2019 Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) filed with the Public Utilities Commission (Commission) proposed Standard Offer rates effective April 1, 2019 together with the results of the Company’s most recent Standard Offer procurement.¹ As with prior Standard Offer Rate filings, the Division has prepared this memo to review the Company’s filing.

The Company submitted a Request for Confidential Treatment covering the detailed bid results. The Company submitted these confidential materials to the Division for review.

Included in the Company’s filing are:

- A calculation of the Standard Offer Service (“SOS”) retail rates for the Residential, Commercial, and Industrial Groups for each month of the service period;
- A RIPUC Tariff No. 2096 Rate Summary, Reflecting the proposed rates for the period April 2019 through September 2019.

¹ Filings entitled: *Proposed Standard Offer Service Rates for the Residential Group and the Commercial Group for the Months of April 2019 through September 2019 and for the Industrial Group for the Months of April 2019 through June 2019*, and *Results of Competitive Procurement for the Months of April 2019 through March 2021 for the Residential Group, for the Months of April 2019 through March 2021 for the Commercial Group, and for the Months of April 2019 through June 2019 for the Industrial Group*.

- A typical bill analysis for the SOS Residential, Commercial, and Industrial Customer Groups.
- A copy of SOS Request for Proposals (“RFPs”) to solicit SOS supply issued on December 7, 2018 for the period April 2019 through March 2021 for the Residential Group, April 2019 through March 2021 for the Commercial Group, and April 2019 through June 2019 for the Industrial Group.
- A redacted summary of the procurement process, and;
- Redacted versions of the executed confidential Amendment to the Master Power Agreement and Transaction Confirmations for April 2019 through March 2021 for the Residential Group, April 2019 through March 2021 for the Commercial Group, and April 2019 through June 2019 for the Industrial Group.

Un-redacted versions of the Procurement Summary, an amendment to a Master Power Agreement, and Transaction Confirmations have been supplied under separate cover.

Standard Offer Service Proposed Rates and Trends

Industrial Group Rates

The SOS rates proposed for the **Industrial Customer Group** for the April 2019 through June 2019 period, including the current per-kWh Standard Offer Adjustment Factor of (\$0.00830), the Administrative Cost Factor of \$0.00177, and the Renewable Energy Charge of \$0.00004 are:

- April 2019: \$0.10347/kWh.
- May 2019: \$0.09056/kWh.
- June 2019: \$0.06213/kWh.

The three-month average of the proposed April 2019 through June 2019 Industrial Group SOS rate is \$0.08539, which results in a 35% decrease compared with the January 2019 through March 2019 average Industrial Standard Offer rate of \$0.13198/kWh. In comparison, the same three-month period average was \$0.06027 the previous year. Additionally, the Industrial SOS average rate was \$0.05914/kWh for the April through June period for the 5 years of 2014 through 2018.

Residential Rates

The SOS rate proposed for the **Residential Customer Group** for the April 2019 through September 2019 period, including the current per-kWh Standard Offer Adjustment Factor of \$0.00007, the Administrative Cost Factor of \$0.00165, and the Renewable Energy Charge of \$0.00004 is **\$0.09343/kWh**. This is a decrease of \$0.01647/kWh or 15%, compared with the

current SOS rate of \$0.10990/kWh. Compared to the previous year's April 2018 through September 2018 Residential Group SOS average rate of \$0.08486/kWh, the proposed rate of \$0.09343/kWh is 10% higher than the same six-month period in the previous year. Compared to the previous 5-year April through September average rate of \$0.08512/kWh for the 2014 through 2018 April through September periods, the proposed rate of \$0.09343 is 10% higher.

Projected Residential SOS base costs to be recovered for the April 2019 through September 2019 period total \$121,457,525. These costs reflect recovery of \$14,464,437 in deferred SOS costs that the Company estimated it would incur during the October 2018 through March 2019 winter period. The Company deferred these costs in accordance with the Division's rate mitigation proposal which was approved by the Commission in the previous SOS Docket No. 4692.

Commercial Rates

The **fixed price option** SOS rate proposed for the **Commercial Customer Group** for the April 2019 through September 2019 period, including the current per-kWh SOS Adjustment Factor of (\$0.00041), Administrative Cost Factor of \$0.00163, and the Renewable Energy Charge of \$0.00004 is **\$0.08805/kWh**. This is a decrease of \$0.02185/kWh, or 20% compared with the current fixed price option charge of \$0.10990/kWh. Compared to the previous year's April 2018 through September 2018 Commercial Group SOS fixed rate of \$0.08190/kWh, the proposed rate of \$0.08805/kWh is 7.5% higher than the same six-month period in the previous year. Compared to the previous 5-year April through September average fixed rate of \$0.08781/kWh for the 2014 through 2018 summer periods, the proposed rate of \$0.08805 is less than 1% higher.

Projected Commercial SOS base costs for the fixed price option to be recovered for the April 2019 through September 2019 period total \$20,487,638. These costs reflect recovery of \$1,944,337 in deferred SOS costs that the Company estimated it would incur during the October 2018 through March 2019 winter period. The Company deferred these costs in accordance with the Division's rate mitigation proposal which was approved by the Commission in the previous SOS Docket No. 4692.

The **variable price option** proposed SOS rates for the **Commercial Customer Group** including the current per-kWh SOS Adjustment Factor of (\$0.00041), Administrative Cost Factor of \$0.00163, and the Renewable Energy Charge of \$0.00004 are as follows:

April	\$0.10449
May	\$0.09577
June	\$0.07002
July	\$0.07237
August	\$0.07034
September	\$0.07085

Projected Commercial SOS base costs for the variable option to be recovered for the April 2019 through September 2019 period total \$41,891,115. These costs reflect no deferred SOS costs for the October 2018 through March 2019 winter period.

Standard Offer Service Rate Bill Impact

National Grid has included a detailed typical bill analysis for all classes as part of their SOS rate filing (attachment 2). A brief summary of the A-16 residential rate class is shown in Table 1 below.

Table 1 – Residential A-16 Rate Class

Monthly kWh	Current Bill	Proposed Bill	Total Decrease	% Decrease
300	\$74.60	\$69.46	\$5.14	6.9%
500	\$118.51	\$109.94	\$8.57	7.2%
1200	\$272.17	\$251.58	\$20.59	7.6%

As presented in Table 1, a typical A-16 residential customer using 500 kWh per month would see an \$8.57 decrease or 7.2% overall decrease in their monthly bill. Compared to the previous year's April 2018 through September 2018 period, an A-16 residential customer using 500 kWh per month would see a \$10.98, or approximately a 11% increase, from the same six-month period in the previous year.

The proposed rates are the result of the Company following the approved procurement plan and obtaining competitive responses to its RFPs. National Grid does not earn a profit on the electricity its customers use and has no incentive to retain standard offer customers.

Standard Offer Service Procurement Plan Summary

Industrial Group: 100% of the load for **April 2019 through June 2019**.

Commercial Group: Procurements encompassing **April 2019 through March 2021**.

With this most recent solicitation for another 15% of the load requirements for the **April 2019 through September 2019** period, 90% of the load requirements for the Commercial Group for the April 2019 through September 2019 period have now been procured (15% in January 2018, 20% in April 2018, 20% in July 2018, 20% in October 2018 and 15% in January 2019). For the April 2019 through September 2019 period, the Company will purchase the remaining 10% of the load in the spot market as the approved plan specifies.

Also, 15% of the Commercial Group's load requirements for the **October 2019 through March 2020** period have been procured in the January 2019 solicitation. With this most recent solicitation, 50% of the load requirements have been purchased for the October 2019 through March 2020 period (15% in January 2018, 20% in July 2018 and 15% in January 2019). For the October 2019 through March 2020 period, the Company will procure another 20% in the second

quarter of 2019 and 20% in the third quarter of 2019. Those procurements will total 90% for the October 2019 through March 2020 period and 10% will be made in the spot market.

Also, 15% of the Commercial Group's load requirements for the **April 2020 through March 2021** period have been procured in the January 2019 solicitation. This is the first solicitation for the April 2020 through March 2021 period. For the April 2020 through March 2021 period, the Company will procure several additional procurements layered over the next six quarters. Those procurements will total 90% for the April 2020 through March 2021 period and 10% will be made in the spot market.

Residential Group: Procurements encompassing **April 2019 through March 2021**.

With this most recent solicitation for another 15% of the load requirements for the **April 2019 through September 2019** period, 90% of the load requirements for the Residential Group for the April 2019 through September 2019 period have now been procured (15% in 1/18, 20% in 4/18, 20% in 7/18, 20% in 10/18 and 15% in 1/19). For the April 2019 through September 2019 period, the Company will purchase the remaining 10% of the load in the spot market per the approved plan.

Also, 15% of the Residential Group's load requirements for the **October 2019 through March 2020** period have been procured in the January 2019 solicitation. With this most recent solicitation, 50% of the load requirements have been purchased for the October 2019 through March 2020 period (15% in 1/18, 20% in 7/18 and 15% in 1/19). For the October 2019 through March 2020 period, the Company will procure another 20% in the second quarter of 2019 and 20% in the third quarter of 2019. Those procurements will total 90% for the October 2019 through March 2020 period and 10% will be made in the spot market.

Also, 15% of the Residential Group's load requirements for the **April 2020 through March 2021** period have been procured in the January 2019 solicitation. This is the first solicitation for the April 2020 through March 2021 period. For the April 2020 through March 2021 period, the Company will procure several additional procurements layered over the next six quarters. Those procurements will total 90% for the April 2020 through March 2021 period and 10% will be made in the spot market.

Although the Company's obligation to arrange for a standard offer service for customers ends on December 31, 2020, the Company continued its procurement schedule through March 21, 2021 as directed by the Commission in Order No. 23366.

Division Confirmation of Compliance

After review, the Division is of the opinion that the proposed Standard Offer rates contained in the filing for Residential, Commercial, and Industrial Standard Offer are correctly calculated and comply with the PUC-approved standard offer procurement plan as directed in Order No. 23366 issued in the Standard Offer Procurement Plan, Docket 4809, written order dated January 3, 2019

The Division also is of the opinion that the power supply procurements undertaken by National Grid in the Docket reporting period comply with the Standard Offer Procurement Plan approved by the Commission.

Please note: As of the date of this memo, the Standard Offer Adjustment and Administrative Cost Factors, as well as the Renewable Energy Standard Factor, scheduled to change April 1, 2019, have been filed. When approved, these factors will slightly change the billed Standard Offer Rates effective April 1, noted in this memo.